

# [Financial analysis and history of omaxe ltd finance essay](https://assignbuster.com/financial-analysis-and-history-of-omaxe-ltd-finance-essay/)

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The company was originally set up as Omaxe Builders Private limited in 1989, promoted by Sh. Rohtas Goel , the founder, to undertake construction & contracting business. The company further changed its constitution to a limited company known as Omaxe Construction Ltd., in 1999. The name of the company has now changed to OMAXE LTD from 2006. The company began life as a civil construction and contracting company, has successfully executed more than 120 prestigious Industrial, Institutional, Commercial, Residential and Hospital construction Court, DDU Hospital, PGI – Chandigarh in the Public Sector and for Coke, Pepsi, Samsung, LG etc for the MNC’s to name a few. The company entered the Real Estate Development business in 2001 and in now amongst the large Real Estate Development companies in IndiaThe company has executed construction contracts for a number of prestigious Indian private, public sector and Multinational's clients. Omaxe was founded by Sh. Rohtas Goel, a first generation entrepreneur, a civil engineer by qualification and a visionary having more than two decades of experience in Construction and Real Estate Development. Mr. Goel, as the Chairman & Managing Director of Omaxe has been at the forefront, a man with a mission of building globally comparable quality Residential & Commercial projects, his motto " Turning Dreams Into Reality " . Omaxe has received a number of awards from the industry, recognition of its continued efforts towards achieving excellence and quality. From a small contracting company 18 years ago to a blue chip company, the journey of Omaxe has been dotted with trail-blazing success. Omaxe carved a permanent niche for itself by adopting quality system standards which was acknowledged when it achieved the status of an ISO 9001-2000 Company. In the year 2002, DNV Certification B. V., The Netherlands certified that the Quality Management System of Omaxe confirms to the Quality Management System Standard ISO 9001: 2000 The company became the first Construction Company of northern India to receive an ISO 9001: 2000 Certification. The company which was founded as a civil construction and contracting organization in 1989 and subsequently diversified its business to focus on Real Estate Development from the year 2001, to capture the opportunity offered by the growing Real Estate markets in India , is today among the large Real Estate Development companies in India. The present focus of the company is on Integrated Townships, Group Housing, Shopping Malls, Multiplexes, Hotels, Resorts, and IT Parks, Biotech Parks and SEZS and theme malls. Presently OMAXE LTD. has 55 residential and commercial projects comprising of 24 group housing apartments and condominiums, 18 integrated townships, 11 shopping malls and commercial complexes and 2 hotel projects in Ludhiana and Mullanpur, Mohali. Another large integrated convention center in NCR is also planned. OMAXE LTD. has presence across 32 cities of 10 states in India and access to land reserves of approximately 3700 acres representing 143 million square feet of saleable area. It has an extensive land reserves in different states of India like PUNJAB, HARAYANA, RAJASTHAN, MADHYA PRADESH, CHATTISGARH, HIMACHAL PRADESH, NEW DELHI, UTTARAKHAND, UTTAR PRADESH, ANDHRA PRADESH. The company in a short span of 5 years has completed and delivered 11 projects consisting of 8 residential, 1 Integrated Township and 2 commercial covering approx 5. 59 million sq. ft of area. The company currently has 54 projects under development. These include 23 group housing projects, 16 integrated townships, 14 shopping malls and commercial complexes and 1 hotel. The company is at present developing over 156 million sq ft of area across 31 towns in 10 states in Northern, Central India and Southern India. Out of the total land of about 3759 acres, project land is about 3529 acres and non project land is 229 acres. Further, NCR consists of 1178 of project land and Non-NCR consists of 2351 acres of land. blank

## Balance Sheet of Omaxe

## ------------------- in Rs. Cr. -------------------

12 mths12 mths12 mths12 mths12 mthsblankSources Of FundsTotal Share Capital11. 0177. 48154. 95173. 57173. 57Equity Share Capital11. 0177. 48154. 95173. 57173. 57Share Application Money31. 900. 000. 000. 750. 00Preference Share Capital0. 000. 000. 000. 000. 00Reserves48. 64132. 13166. 321, 022. 931, 121. 78Revaluation Reserves0. 000. 000. 000. 000. 00Networth91. 55209. 61321. 271, 197. 251, 295. 35Secured Loans164. 95371. 09883. 301, 586. 381, 557. 63Unsecured Loans0. 000. 4830. 77192. 7576. 43Total Debt164. 95371. 57914. 071, 779. 131, 634. 06Total Liabilities256. 50581. 181, 235. 342, 976. 382, 929. 41Mar '05Mar '06Mar '07Mar '08Mar '09blank12 mths12 mths12 mths12 mths12 mthsblankApplication Of FundsGross Block22. 7725. 8438. 2643. 5646. 81Less: Accum. Depreciation6. 568. 3212. 5818. 2021. 22Net Block16. 2117. 5225. 6825. 3625. 59Capital Work in Progress0. 630. 290. 920. 000. 00Investments4. 9713. 1529. 54346. 54260. 05Inventories86. 06872. 901, 327. 192, 152. 962, 060. 56Sundry Debtors18. 1216. 9311. 6430. 5667. 28Cash and Bank Balance47. 4423. 0981. 6996. 6514. 31Total Current Assets151. 62912. 921, 420. 522, 280. 172, 142. 15Loans and Advances295. 64173. 63368. 08821. 101, 103. 32Fixed Deposits0. 0068. 8445. 0785. 8797. 14Total CA, Loans & Advances447. 261, 155. 391, 833. 673, 187. 143, 342. 61Deffered Credit0. 000. 000. 000. 000. 00Current Liabilities212. 63576. 01644. 63523. 57693. 30Provisions0. 0029. 1516. 8759. 105. 53Total CL & Provisions212. 63605. 16661. 50582. 67698. 83Net Current Assets234. 63550. 231, 172. 172, 604. 472, 643. 78Miscellaneous Expenses0. 040. 007. 040. 000. 00Total Assets256. 48581. 191, 235. 352, 976. 372, 929. 42blankContingent Liabilities0. 003. 514. 204. 7019. 37Book Value (Rs)54. 2027. 0520. 7368. 9474. 63

## Profit and Loss Account of OMAXE LTD.

31-Mar-09(12)

31-Mar-08(12)

31-Mar-07(12)

Profit / Loss A/CRs mn%OIRs mn%OIRs mn%OINet Sales (OI)6997. 79100. 0017894. 99100. 009408. 66100. 00Material Cost-210. 79-3. 01-169. 86-0. 950. 000. 00Increase Decrease Inventories5064. 3772. 3712044. 0867. 30-5170. 91-54. 96Personnel Expenses332. 424. 75453. 662. 54213. 602. 27Manufacturing Expenses1. 000. 011. 000. 0111762. 31125. 02Gross Profit1810. 7925. 885566. 1131. 102603. 6627. 67Administration Selling and Distribution Expenses454. 246. 49421. 642. 36508. 025. 40EBITDA1356. 5519. 395144. 4728. 752095. 6422. 27Depreciation Depletion and Amortisation48. 260. 6952. 490. 2935. 910. 38EBIT1308. 2918. 705091. 9828. 452059. 7321. 89Interest Expense1074. 7815. 36588. 933. 29297. 443. 16Other Income579. 208. 28225. 351. 2666. 990. 71Pretax Income812. 7111. 614728. 4026. 421829. 2819. 44Provision for Tax73. 381. 05975. 385. 45580. 986. 17Extra Ordinary and Prior Period Items Net0. 000. 00235. 001. 310. 000. 00Net Profit739. 3310. 573985. 2822. 271248. 3013. 27Adjusted Net Profit739. 3310. 573985. 2822. 271248. 3013. 27Dividend – Preference0. 000. 000. 000. 000. 000. 00Dividend - Equity0. 000. 00433. 922. 42116. 321. 24

## Purposes and considerations of ratios and ratio analysis

Ratios are highly important profit equipment in financial analysis that helps financial analysts implement strategy that improve profitability, liquidity, financial structure, and reordering, leverage, and interest coverage. Though ratios report mostly on past performance, they can be predictive too, and provide lead indications of potential problem areas. Ratio analysis is primarily used to compare a company's financial figures over a period of time, a method at times called trend analysis. Through trend analysis, you can identify trends, good and bad, and adjust business practices accordingly. You can also see how your ratios stack up against other business, both in and out of the industry. There are several consideration one must be aware of when comparing ratios from one financial period to another or when comparing the financial ratios of two or more company. While making a relative analysis of a company's financial statements over a certain period of time, make a proper allowance for any changes in accounting policies that occur during the same time period. When comparing a business with others in same industry, allow for any material difference in accounting policies between the company and industry norm. When comparing ratios from various fiscal periods or companies, inquire about the type of accounting policies used. Different accounting method can result in a wide variety of reported figures. Determine whether ratio were calculated before or after adjustment were made to the balance sheet or income statement, such as non-recurring items and inventory or pro forma adjustments. In many cases, these adjustments can significantly affect the ratios.

## Liquidity measurement ratio

## Current ratio

## Formula:

http://i. investopedia. com/inv/tutorials/site/currentratio. gifYearMarch ‘ 08March ‘ 07March ‘ 06March ‘ 05March ‘ 04March ‘ 03Current Ratio5. 472. 771. 912. 262. 921. 29

## Return on capital employed (roce)

## Formula:

http://i. investopedia. com/inv/tutorials/site/roce. gifOR

## Return on Capital Employed= Profit before Finance Cost and Taxation/ Capital Employed

YearMarch ‘ 08March ‘ 07March ‘ 06March ‘ 05March ‘ 04ROCE (%)19. 2120. 4427. 989. 2417. 78Capital Employed (in Rs. millions)354111725258722533658

## .

## RETURN ON NET WORTH (RONW)

YearMarch ‘ 08March ‘ 07March ‘ 06March ‘ 05March ‘ 04RONW (%)3552. 8659. 6315. 4515. 27

## Omaxe’s Net Worth

YearMarch ‘ 08March ‘ 07March ‘ 06March ‘ 05March ‘ 04Net Worth ( in Rs. Mn.)1413346162150835419

## PROFITABILITY INDICATOR RATIO

The long-term profitability of a company is vital for both the survivability of the company as well as the benefit received by shareholders. It is these ratios that can give insight into the all important " profit".

## Profit Margin Analysis

In the income statement, there are four levels of profit or profit margins - gross profit, operating profit, pre-tax profit and net profit. The term " margin" can apply to the absolute number for a given profit level and/or the number as a percentage of net sales/revenues. Profit margin analysis uses the percentage calculation to provide a comprehensive measure of a company's profitability on a historical basis (3-5 years) and in comparison to peer companies and industry benchmarks. Basically, it is the amount of profit (at the gross, operating, pretax or net income level) generated by the company as a percent of the sales generated. The objective of margin analysis is to detect consistency or positive/negative trends in a company's earnings. Positive profit margin analysis translates into positive investment quality. To a large degree, it is the quality, and growth, of a company's earnings that drive its stock price.

## GROSS PROFIT MARGIN

## Formula:

http://i. investopedia. com/inv/tutorials/site/grossprofitmargin. gifYearMarch ‘ 08March ’07March ‘ 06March ‘ 05March ‘ 04GPM36. 3228. 7921. 627. 936. 89

## Operating profit margin

By subtracting selling, general and administrative (SG&A), or operating, expenses from a company's gross profit number, we get operating income. Management has much more control over operating costs, so operating profit margins should be studied carefully.

## Formula:

http://i. investopedia. com/inv/tutorials/site/operatingprofitmargin. gifYearMarch ‘ 08March ’07March ‘ 06March ‘ 05March ‘ 04Operating Profit Margin (%)36. 6229. 1721. 627. 206. 81

## NET PROFIT MARGIN

http://i. investopedia. com/inv/tutorials/site/profitmargin. gifYearMarch ‘ 08March ‘ 07March ‘ 06March ‘ 05March ‘ 04Net Profit Margin (%)2213. 2715. 563. 363. 82

## CONCLUSION

Company has the high current ratio; it is indicating the strength of company in paying off its short- term liabilities and which is keeping in trends with growing real estate sector. Large scale investments of company during the year which would yield long term gains. . Return on net worth has gone down by about 59%. There is an increase of about 458% gross profit margin which is phenomenal as compared to growth of real estate sector. This is the great achievement for the management of the company since this profit is directly controlled by company, making sure that the management activities are well in favour of the company by controlling all the operating costs. Total Revenue of the company is increasing from the year ending March 2004 to the year ending March 2008. There is a CAGR of 75%. From the sources, it has been identified that 98. 87% of the total revenue of the year 2008 has come from real estate business and only 1. 3% has come from the construction activities. The Earnings per Share of the company is continuously increasing thereby indicating a huge per cent change. So at last we can conclude that company has been enormously improving its position in the market and there is a phenomenal improvement if we compare it with last years.